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International Narcotics Situation Report

November 1992

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**International Narcotics
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Peru: Money Laundering Only Slightly Fettered

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**Peru: Money Laundering Only
Slightly Fettered** ☐

☐ Most of the *cambistas* know one another and help each other if one has a shortage or surplus of cash. Narcotics money is widely diffused among *cambistas*, complicating efforts to identify and target particular laundering networks. ☐

☐ Unlike their Colombian Cali cartel counterparts, Peruvian traffickers cannot choose from a cadre of independent and financially sophisticated money launderers. Most Peruvian money launderers are also involved in the trafficking end of the business, and their money-laundering methods are relatively simple. Nonetheless, because they operate in an almost unregulated financial environment, these launderers have few major problems with law enforcement. ☐

☐ Little regulation exists on accepting cash deposits, and transferring funds and bribery of bank employees easily overcome these. The volume of narcodollars flowing through Peru's drug-trafficking areas makes it difficult for even well-intentioned banks to distinguish between narcotics money laundering and legitimate trade conducted in dollars. ☐

The Dollar Flow

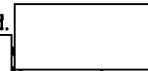
Narcodollars are generally flown into Peru from Colombia as payment for coca base, but an increasing share of the dollars comes directly from Peruvian trafficker sales in the United States and Europe. ☐

☐ US dollars that come into Peru's cities are exchanged at *casas de cambio* or by the thousands of informal money changers (*cambistas*) who have established an informal, loosely tied, parallel banking infrastructure in Lima. This parallel banking system accounts for "perhaps 51 percent" of financial transactions in Peru. ☐

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money launderers are mostly unfettered.



Peruvian law

protects bank secrecy and permits anonymous accounts. Measures that would restrain use of the formal financial system to move funds internationally are weak or nonexistent. Since restoration of free convertibility of the Peruvian sol against the dollar last year, no legal restrictions exist regarding the amount of Peruvian or foreign currency that may be brought into or out of Peru.



The Government's First Steps

Lima has so far taken small steps to combat money laundering. President Fujimori declared money laundering a crime in April 1992. Last year, Peru signed a currency transaction recording agreement with the United States requiring banks to maintain records of cash transactions in excess of \$10,000 and providing for exchanges of information with the US Treasury on the investigation of narcotics money laundering. Lima also implemented controls to curb and monitor the growth of nontraditional financial institutions that do the bulk of the money laundering. Nonetheless, the

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